



# Public Financing Issuance Costs

*Presentation to the Joint Committee on Local Government  
Vance Holloman, Deputy State Treasurer*

April 9, 2012



North Carolina Department of State Treasurer  
State and Local Government Finance

*Learn. Invest. Grow. Prosper.*

# Public Finance Issuance Costs

- Various issuance costs
- Several variables affect the issuance costs
  - Public vs. Private Placement
  - \$\$ Amount – liability of financing team members
  - Type of Financing – complexity results in more costs
  - Length of obligation or maturity
  - Credit quality of issuer
- LGC monitors issuance costs
  - FY 2011 average for public sales – 1.20%
  - Range - 0.32% - 2.50%
  - \$1.5 million (\$150MM Rev. Bonds) to \$7,520 (\$2.3MM GO)



Issuance costs are usually capitalized and part of the financing. The IRS limits tax-exempt financing of issuance costs to 2% of the total financing amount.



# Types of Issuance Costs

- Legal Fees
  - Bond Counsel (\$7,500 – \$102,600)
  - Underwriter or Bank Counsel (\$1,900 - \$81,640)
  - Borrower or Unit Attorney (\$1,500 - \$35,000)
  - Disclosure Counsel
  - Trustee Counsel
- Financial Advisor (\$ 500 - \$80,839)
- Ratings Agencies (\$11,300 - \$38,250)
- Trustees/Paying Agents (\$2,500 - \$4,000 per year)
- Feasibility Consultants (\$750 - \$66,456)
- Publishing and Printing Cost (\$153 - \$7,104)
- Government Regulatory Fees – LGC, NCCFFA, NCMCC, NCHFA
- Registration Fees – CUSIP, MSRB
- Underwriter's fees (discount, Mgt. fees, structuring fees) (\$1,900 - \$1,237,465)
- Guarantee fees/Bond Insurance
- Marketing/Advertising fees



# Public vs. Private Placement

- Publicly sold debt is regulated under the SEC
  - Requires an offering document (“Official Statement”) that provides disclosure information to the investing public
  - Preparation of the document requires additional costs
- Publicly sold debt requires a rating from one or more of the national rating agencies – fees involved
- Publicly sold debt requires a registration number (“CUSIP”) – fee required
- Underwriting fee in public sales
- Public sale increases liability of legal counsel involved in the transaction which adds to costs
- Larger financing size increases liability for legal parties involved



# Types of Financing

---

- General Obligation - Private
  - Bond Counsel
  - Bank Counsel
- General Obligation – Public
  - Bond Counsel
  - Underwriter's Counsel (negotiated sales only)
  - Rating Agency fees
  - CUSIP, DalComp, SIFMA, DTC, GASB
  - Financial Advisor – refunding or complex financing
  - Publishing fees



# Types of Financing

- Installment Purchase - Private
  - Issuer's attorney
  - Bank Counsel
  - May or may not have Bond Counsel
- Installment Purchase – Public (Limited Obligation Bond or Certificate of Participation)
  - Special Counsel
  - Underwriter's Counsel – indirect cost on Competitive sales
  - Rating Agency fees
  - CUSIP, etc.
  - Financial Advisor – refunding or complex financing
  - Issuer attorney and possibly Corporation Counsel
  - Trustee and Trustee Attorney
  - Publishing fees





# Types of Financing

- Revenue Bond - Private
  - Issuer's attorney
  - Bank Counsel
  - Bond Counsel
- Revenue Bond – Public
  - Bond Counsel
  - Underwriter's Counsel
  - Rating Agency fees
  - CUSIP, etc.
  - Feasibility Consultant on larger financings (> \$10MM)
  - Financial Advisor – complex financing
  - Issuer attorney
  - Trustee and Trustee Attorney
  - Publishing fees





**Thank You!**

*Together we can build and maintain a fiscally strong and prosperous North Carolina.*

[www.NCTreasurer.com](http://www.NCTreasurer.com)



**North Carolina Department of State Treasurer**  
*State and Local Government Finance*

*Learn. Invest. Grow. Prosper.*